

AGENDA ITEM 4
AUDIT RESOLUTION STATUS
TRACKING REPORTS - FINANCIAL AND OTHER EXTERNAL AUDITS
(PRIOR YEAR REPORTS WITH CURRENT YEAR UPDATES)
AS OF JUNE 30, 2005

Auditor	Audit Scope/ (Report Issue Date)	Responsible Division(s)	Finding Number and Description	Comments
Deloitte & Touche, LLP	Report to Management for the Year Ended 06/30/02 (10/25/02)	Fiscal Services	1. At June 30, 2002, there was a \$1.2 billion unreconciled difference identified between the Cash Control Internal and External account. Reconciliation of all significant accounts and activities represents a critical control process. CalPERS should ensure that the Custodian Cash Control accounts are reconciled on a monthly basis. Through the reconciliation process and review of the account activity, CalPERS would be able to identify any miscoding or other errors and any items requiring further investigation. Reconciliations should be performed on a timely basis and reviewed and authorized by a more senior member of the accounting staff. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.
Deloitte & Touche LLP	Report to Management for the Year Ended 06/30/03 (11/10/03)	Fiscal Services	1. Investment Accounting should maintain a tracking system to identify the all unsettled trades and transfers that affect the CalPERS' Custodial Cash Control Account in support of the reconciliation process from a portfolio and general ledger basis. Such reconciliations should be performed monthly and by an individual who is not responsible for recording the journal entries and reviewed by a supervisor. All journal entries resulting from the reconciliation process should be reviewed and authorized by an employee senior to the preparer and evidenced by signing off on the reconciliations and journal entries. A primary and a secondary preparer should be assigned to each reconciliation. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.

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Deloitte & Touche LLP	Report to Management for the Year Ended 06/30/03 (11/10/03) (continued)	Fiscal Services/ Member Services	3. For the Service Credit Buyback Accounts (SCBA) reconciliation, an Accounts Receivable Detail report should be run at least quarterly to reconcile the receivable balance per the report to the CRB 240 and to the general ledger control account. The detail report should be reviewed by the Member Services Division to identify any unusual items or accounts. Fiscal Accounting should coordinate the closing process with Member Services to post the activity in the proper accounting period. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.
		Member Services	4. For the recording and review of Service Credit Buyback Accounts, aging reports should be run and reviewed periodically. Past-due accounts should be investigated and resolved. Review and signoff should be performed on initial recording to ensure each individual member accounts are properly recorded within the SCBA system. The individual who performs the review should be separate from the staff responsible for the initial recording of the accounts. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.
		Fiscal Services/ Supplemental Savings Program	8. Mirror portfolios of the SK50 and SK52 should be established to include only the IRC 457 Plan's share of the investments and related activity, similar to the SK68 mirror portfolio set up in the prior fiscal year. All portfolio activity should be recorded based on the mirror portfolios and then considered in relation to the information received from State Street related to the shared portfolios. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.

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Deloitte & Touche LLP	Report to Management for the Year Ended 06/30/03 (11/10/03) (continued)	Fiscal Services	11. To ensure that errors are identified and reconciling items are resolved timely, all reconciliations should be performed on a regular basis. Each reconciliation process should be assigned both a primary and secondary preparer. The secondary preparer would be responsible for performing the reconciliation on a rotating surprise basis and when the primary preparer is unavailable. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.
		Information Security Office	14. CalPERS should review the security settings for the database to ensure they are in compliance with their security policies. CalPERS should consider the following for the various systems: <ul style="list-style-type: none"> • General user passwords should be set to expire every 60 days and administrative user passwords should be set to expire every 30 days. • Users should be locked out after 3 attempts. • Password history should be maintained for at least the last 3-4 passwords. • Password length should be at least 6-8 characters long. This issue was reported again in the 2004 management letter.	COMPLETE. This issue has been carried forward to the 2004 Report to Management.